

## Debt Service - State Treasurer

### OTT14100

#### Budget Summary

Account	Actual FY 17	Actual FY 18	Appropriation FY 19	Governor Recommended		Legislative	
				FY 20	FY 21	FY 20	FY 21
<b>Other Current Expenses</b>							
Debt Service	1,768,625,362	1,950,975,418	1,858,767,569	1,906,900,160	1,997,208,185	1,896,900,160	1,967,208,185
UConn 2000 - Debt Service	165,904,014	189,445,912	210,955,639	216,225,089	234,906,539	212,225,089	221,406,539
CHEFA Day Care Security	4,069,825	4,065,997	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000
Pension Obligation Bonds - TRB	119,597,971	140,219,021	118,400,521	118,400,521	118,400,521	118,400,521	118,400,521
<b>Grant Payments to Local Governments</b>							
Municipal Restructuring	-	16,811,743	20,000,000	45,666,625	56,314,629	45,666,625	56,314,629
<b>Agency Total - General Fund</b>	<b>2,058,197,172</b>	<b>2,301,518,091</b>	<b>2,213,623,729</b>	<b>2,292,692,395</b>	<b>2,412,329,874</b>	<b>2,278,692,395</b>	<b>2,368,829,874</b>
<b>Agency Total - Special Transportation Fund</b>							
Debt Service	543,188,610	574,868,303	651,223,716	690,580,233	756,638,231	697,080,233	767,938,231
<b>Agency Total - Special Transportation Fund</b>	<b>543,188,610</b>	<b>574,868,303</b>	<b>651,223,716</b>	<b>690,580,233</b>	<b>756,638,231</b>	<b>697,080,233</b>	<b>767,938,231</b>
<b>Total - Appropriated Funds</b>	<b>2,601,385,782</b>	<b>2,876,386,394</b>	<b>2,864,847,445</b>	<b>2,983,272,628</b>	<b>3,168,968,105</b>	<b>2,975,772,628</b>	<b>3,136,768,105</b>

Account	Governor Recommended		Legislative		Difference from Governor	
	FY 20	FY 21	FY 20	FY 21	FY 20	FY 21

#### Policy Revisions

##### Adjust Debt Service to Reflect Borrowing Costs

Debt Service	-	-	(24,437,500)	(93,903,125)	(24,437,500)	(93,903,125)
<b>Total - General Fund</b>	<b>-</b>	<b>-</b>	<b>(24,437,500)</b>	<b>(93,903,125)</b>	<b>(24,437,500)</b>	<b>(93,903,125)</b>

#### Background

The amount of funding provided for debt service depends on both existing outstanding debt and projections of the costs of repayment of newly issued debt. New debt issued is related to the recent and anticipated spending in bond-funded programs. As of FY 19, General Obligation (GO) bond issuance was limited, by statute (CGS 3-21) and the "bond lock" provision required to be included on bond covenants, to \$1.9 billion per fiscal year. This total excludes higher education bonds for the CSCU 2020 and UConn 2000 programs and the use of GO bonding for transportation purposes.

Improved credit-worthiness of the state has resulted in lower than anticipated debt service payments from recent bond issuances. Likewise, the rate of bond spending for FY 18 and FY 19 led to lower bond issuances in those years, limiting new debt repayment requirements.

#### Legislative

Reduce debt service payments to reflect lower bond issuance in FY 18 and FY 19 and improved credit-worthiness of the state.

##### Reduce General Obligation Bond Issuance

Debt Service	(14,437,500)	(63,903,125)	-	-	14,437,500	63,903,125
<b>Total - General Fund</b>	<b>(14,437,500)</b>	<b>(63,903,125)</b>	<b>-</b>	<b>-</b>	<b>14,437,500</b>	<b>63,903,125</b>

Account	Governor Recommended		Legislative		Difference from Governor	
	FY 20	FY 21	FY 20	FY 21	FY 20	FY 21

### Background

The Governor announced in February 2019 a proposal to limit use of General Obligation bonding from previous levels and below the level of the various bond limits set forth in statute, which was labeled the "debt diet."

### Governor

Reduce GO bond issuance by \$300 million (from the \$1.9 billion cap to \$1.6 billion), in each year of the biennium, while maintaining existing exemptions for higher education bonding. The proposal would also not use GO bonds for transportation purposes, which had been allowed for FY 19 and FY 20 (PA 18-178). The Governor estimates a resulting reduction in General Fund debt service of \$14 million in FY 20 and \$64 million in FY 21.

### Legislative

Do not reduce issuance to reflect the proposed "debt diet."

### Revise Transportation Bond Issuance

Debt Service	-	(8,300,000)	6,500,000	3,000,000	6,500,000	11,300,000
<b>Total - Special Transportation Fund</b>	-	<b>(8,300,000)</b>	<b>6,500,000</b>	<b>3,000,000</b>	<b>6,500,000</b>	<b>11,300,000</b>

### Background

The amount of funding necessary for debt service is dependent on both existing outstanding debt and projections of the costs of repayment of debt to be issued in the future. New debt issuance is closely related to recent and anticipated spending in bond-funded programs. Special Tax Obligation (STO) bonds rely on the Special Transportation Fund (STF) for debt repayment. PA 18-178 limited the issuance of Special Tax Obligation bonds in FY 19 and FY 20 to \$750 million. PA 18-178 also requires the State Bond Commission to allocate up to \$250 million of transportation bonds legislatively authorized as STO debt as General Obligation (GO) debt in each of CY 18 and CY 19. STO bond authorizations that are issued as GO debt are exempt from GO bond limits, including the debt limit, allocation cap, and issuance cap. The Official Statement for the October 2018 STO bond issuance indicates that the state expected to issue \$1 billion of STO bonds in FY 21, absent other changes to the STF.

### Governor

The Governor's original proposal made no changes to FY 20 issuance and reduced FY 21 issuance to \$800 million, which was estimated to reduce FY 21 debt service costs by \$8.3 million from current service estimates. The proposal would also not use GO bonds for transportation.

Projected issuance in the three years after the biennium is reduced to \$800 million, which reduces future debt service costs by over \$30 million each year.

### Legislative

Accept the Governor's revised proposal to eliminate the STO issuance cap for FY 19 and FY 20 (PA 19-117 375) and increase expected issuance in FY 20 to \$850 million. STO bond issuance in FY 21 would be reduced from \$1 billion to \$875 million, rather than the reduction to \$800 million originally planned. Overall, the changes result in an increase of STF debt service of \$6.5 million in FY 20 and \$3 million in FY 21.

## Current Services

### Reflect Debt Service Repayment Requirements

Debt Service	62,570,091	202,343,741	62,570,091	202,343,741	-	-
UConn 2000 - Debt Service	5,269,450	23,950,900	1,269,450	10,450,900	(4,000,000)	(13,500,000)
<b>Total - General Fund</b>	<b>67,839,541</b>	<b>226,294,641</b>	<b>63,839,541</b>	<b>212,794,641</b>	<b>(4,000,000)</b>	<b>(13,500,000)</b>
Debt Service	39,356,517	113,714,515	39,356,517	113,714,515	-	-
<b>Total - Special Transportation Fund</b>	<b>39,356,517</b>	<b>113,714,515</b>	<b>39,356,517</b>	<b>113,714,515</b>	-	-

### Background

Debt service reflects the state's obligation to make payments on services and goods provided in previous years. General Fund-backed bond spending, including UConn 2000 spending, increased from \$1.6 billion in FY 14 to \$2.5 billion in FY 17, before falling to \$1.8 billion in FY 18. Similarly, Special Transportation Fund-backed bond spending peaked in FY 17 at over \$1 billion, before falling to \$779 million in FY 18. Bond spending in previous years relates to debt service payments in the current biennium, as payments are made on

Account	Governor Recommended		Legislative		Difference from Governor	
	FY 20	FY 21	FY 20	FY 21	FY 20	FY 21

issued bonds. In FY 20, over 90 percent of the projected baseline debt service payment is to repay bonds that were issued prior to FY 19.

#### Governor

Increase funding in FY 20 and FY 21 to reflect debt repayment schedule, based on prior and projected bond spending.

#### Legislative

Accept Governor's proposed increases and revise UConn 2000 debt service in the biennium based on result of the April 2019 UConn 2000 General Obligation bond issuance.

### Reflect Hartford Debt Service Repayment Schedule

Municipal Restructuring	25,666,625	36,314,629	25,666,625	36,314,629	-	-
<b>Total - General Fund</b>	<b>25,666,625</b>	<b>36,314,629</b>	<b>25,666,625</b>	<b>36,314,629</b>	<b>-</b>	<b>-</b>

#### Background

The FY 18-19 adopted budget (PA 17-2 JSS) established the Municipal Accountability Review Board (MARB) and included a total appropriation of \$48 million per year, split between two agencies (\$28 million through OPM and \$20 million through Treasurer's debt service). Based on a contractual agreement between MARB and the city of Hartford in March 2018, the state agreed to make specified debt service payments on debt issued by Hartford.

For the 18-19 biennium, the state's payments were made using a combination of the two agency's municipal restructuring accounts.

Absent a restructuring or refunding of the debt, the full repayment schedule of the Hartford debt is as follows (debt service (DS) figures in millions \$)

FY	DS	FY	DS	FY	DS	FY	DS
18	11.9	23	54.1	28	45.2	33	26.8
19	48.6	24	51.3	29	44.2	34	22.8
20	45.7	25	47.9	30	41.8	35	16.6
21	56.3	26	47.5	31	40.9	36	9.9
22	54.7	27	49.2	32	39.5		

#### Governor

Increase funding within debt service for municipal restructuring by \$26 million in FY 20 and \$36 million in FY 21 to reflect the full contractual debt service agreement via a single agency. Non-debt service funding for MARB remains within OPM.

#### Legislative

Same as Governor

### Totals

Budget Components	Governor Recommended		Legislative		Difference from Governor	
	FY 20	FY 21	FY 20	FY 21	FY 20	FY 21
FY 19 Appropriation - GF	2,213,623,729	2,213,623,729	2,213,623,729	2,213,623,729	-	-
Policy Revisions	(14,437,500)	(63,903,125)	(24,437,500)	(93,903,125)	(10,000,000)	(30,000,000)
Current Services	93,506,166	262,609,270	89,506,166	249,109,270	(4,000,000)	(13,500,000)
<b>Total Recommended - GF</b>	<b>2,292,692,395</b>	<b>2,412,329,874</b>	<b>2,278,692,395</b>	<b>2,368,829,874</b>	<b>(14,000,000)</b>	<b>(43,500,000)</b>
FY 19 Appropriation - TF	651,223,716	651,223,716	651,223,716	651,223,716	-	-
Policy Revisions	-	(8,300,000)	6,500,000	3,000,000	6,500,000	11,300,000
Current Services	39,356,517	113,714,515	39,356,517	113,714,515	-	-
<b>Total Recommended - TF</b>	<b>690,580,233</b>	<b>756,638,231</b>	<b>697,080,233</b>	<b>767,938,231</b>	<b>6,500,000</b>	<b>11,300,000</b>